

**SECTION 213 COOPERATIVE PROGRAM RIDER**  
**TO**  
**REGULATORY AGREEMENT FOR MULTIFAMILY PROJECTS**

A. The following definition is hereby inserted as subsection mm of Article 1, Section 1 of the foregoing Regulatory Agreement for Multifamily Housing Projects:

“mm: ‘General Operating Reserve Account’ shall mean the account where the funds identified in Section 51 of Rider 1 to this Agreement are held.”

B. The following provisions are hereby inserted as Section 51, 52, and 53, respectively, of the foregoing Regulatory Agreement for Multifamily Housing Projects. To the extent the provisions of the foregoing Regulatory Agreement and this Rider 1 shall conflict, the provision of this Rider 1 shall prevail:

“51. Commencing with occupancy, the Borrower shall establish and maintain a General Operating Reserve Account by allocation and payment thereto monthly of a sum equivalent to not less than 3 percent of the monthly amount otherwise chargeable to the members pursuant to their Occupancy Agreements. Upon accrual in the General Operating Reserve Account of an amount equal to 15 percent of the current annual amount otherwise chargeable to the members pursuant to their Occupancy Agreements, the rate of such monthly allocations may, by appropriate action of the Borrower, be reduced from 3 percent to 2 percent; provided, however, that in the event withdrawals from such Account reduce it below said 15 percent accrual, the rate of such monthly deposits shall immediately be restored to 3 percent. At any time thereafter upon accrual in said General Operating Reserve Account of an amount equal to 25 percent of the current annual amount otherwise chargeable to the members pursuant to their Occupancy Agreements, such monthly deposits may, by appropriate action of the Borrower, be discontinued and no further deposits need be made into the General Operating Reserve Account so long as said 25 percent level is maintained and provided, further, that upon any reduction of such reserve below said 25 percent level, monthly deposits shall be made at the 3 percent rate until the 25 percent level is restored. The General Operating Reserve Account shall remain in a special account and may be in the form of a cash deposit or invested in obligations of, or fully guaranteed as to principal by, the United States of America, and shall at all times be under the control of the Borrower. The General Operating Reserve Account is intended to provide a measure of financial stability during periods of special stress and may be used to meet

deficiencies from time to time as a result of delinquent payments by individual members, to provide funds for the re-purchase of membership interests of withdrawing members, and other contingencies. Disbursements totaling in excess of 20 percent of the total balance in the reserve as of the close of the preceding annual period may not be made during any annual period without the consent of HUD.

52. The Borrower shall establish and collect monthly carrying charges pursuant to the conditions set forth hereinafter. Monthly carrying charges charged to members shall be made by the Borrower in accordance with a schedule of charges filed with and approved in writing by HUD prior to endorsement of the Note. Such charges shall be in an amount sufficient to meet HUD's estimate of cooperative management expense, operating expense and maintenance expense, debt service, taxes, special assessments and ground rents, if any, reserves, and all other expenses of the Borrower. Thereafter, charges made by the Borrower for its accommodations shall be in accordance with a schedule of charges filed with and approved in writing by HUD and shall be in amounts sufficient to meet the Borrower's estimate of expenses set forth in an operating budget which shall be prepared and submitted to the HUD 60 days prior to the beginning of each fiscal year. The operating budget shall set forth the anticipated income of the project and a sufficiently detailed estimate of expenses which will include separate estimates for administration expense, operating expense, maintenance expense, utilities, hazard insurance, taxes and assessments, ground rent, interest and amortization, mortgage insurance premium, replacement reserve and operating reserve."

53. Borrower shall not, without the written consent of HUD:

- a. Permit the occupancy of any of the residential units except at the charges established in Section 51, and pursuant to an Occupancy Agreement in a form approved by HUD.
- b. Permit the occupancy of any of the residential units except by members of the Borrower, or sublessees approved by the Borrower, and pursuant to a sublease in a form approved by HUD.
- c. Consolidate or merge the Borrower into any other corporation; liquidate or dissolve the Borrower, enter into any reorganization of the Borrower, change the capital structure of the Borrower, or alter or amend the Bylaws of the Borrower.
- d. [For new construction] Contract for the sale of any membership interest or shares of the Borrower except in accordance with a subscription agreement in a form approved by HUD.

[Insert as applicable: 54. Cooperative projects regulated under State or local law must comply with Program Obligations as well as any and all State or local regulatory requirements.]